

To:

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PS/MFT

cc Mr Dell

From:

Mr Meadway

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Mr Coolican

OT2/3

Mr Stephens

ECGD

Mr Steele

MT3

Stuart Nunn

OT2/3 PU

R.543 KH

071 215 8397

16 May 1990

MFT's MEETING WITH THE MACHINE TOOL TECHNOLOGIES ASSOCIATION
(MTTA)

I attach a brief for the Minister's meeting with the MTTA
on Thursday 17 May at 11.30 am.

2. You should draw the Minister's attention to a short paper
that the MTTA have provided on trade with Iraq which is of
interest but need only be skimmed.

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STUART NUNN

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BRIEF FOR THE MINISTER FOR TRADE MEETING WITH THE
MACHINE TOOLS TRADE ASSOCIATION AT 11.30 AM, 17 MAY 1990

INTRODUCTION

1. You agreed to meet the Machine Tools Trade Association (MTTA) to discuss HMG's general policy towards exports of machine tools to Iraq, particularly in the light of recent developments. The MMTA have provided a short paper on the state of trade in machine tools between the UK and Iraq. The MMTA will wish to take the opportunity to discuss whether further exports by Matrix Churchill, Bridgeport and KTM Ltd are likely to be granted a licence. ...

Attendance

2. The MMTA will be represented by:
 - Mr Carter - Group Chief Executive of the 600 Group plc
 - Mr Bailey - Chairman, BSA Tools Ltd
 - Mr Henderson - Managing Director, Matrix Churchill Ltd
 - Mr Taylor - Managing Director, Bridgeport Machines Ltd
 - Mr Nosworthy - Director General, MMTA

LINE TO TAKE

3. General Introduction

HMG considers proposed exports to Iraq in the light of the Ministerial Guidelines announced in 1985 at the start of the Gulf War. Our policy remains to promote trade with Iraq in industrial goods for use for civil purposes, consistent with the Guidelines. We are anxious not to prevent legitimate exports needlessly and the longer the ceasefire continues the greater the scope for more relaxed application of the Guidelines. However, it is necessary to strike an appropriate balance between promoting trade and HMG's concerns about Iraqi attempts to procure equipment and technology related to missiles and nuclear weapons as reported in the media. This has taken on enhanced sensitivity in the light of events surrounding the Iraqi gun project.

4. Invite the Companies to Speak

Grateful for your paper covering trade with Iraq in machine tools. It would be helpful if you could expand on several aspects:

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- long term potential of Iraq as a market for UK machine tools;
- the position of the UK industry's major foreign competitors;
- assurances that can be secured on the end-use of equipment;
- effect on the industry of a further postponement in deciding whether to grant an export licence in the outstanding cases.

Defensive Briefing

5. You should emphasize the political difficulties created by recent Iraqi attempts, which have now been exposed, to acquire equipment and technology for military purposes, eg capacitors and the parts for the gun. The political climate has clearly been further effected by threats of an Iraqi embargo on purchases from UK companies.
6. In the light of this whilst you see the commercial need for the companies to have an early decision on their export licences, you wonder whether this will necessarily achieve the outcome they are seeking.
7. You find it helpful to to listen to the concerns of the companies involved but are clearly not in a position to indicate what decision HMG will eventually take, given the need to take account of the views of all the Government Departments with an interest.
8. You should use the opportunity to emphasize the need for companies to ensure that they have adequate safeguards in place to ensure that export licensing procedures are followed and conditions attached to export licences are complied with. There are concerns, eg about whether goods exported under a temporary export licence are returned to the UK, and DTI officials will be active in checking that companies ensure conditions are fully met.

BACKGROUND

9. A number of UK machine tool manufacturers have export licences which remain under consideration involving significant export orders and are pressing for a decision. FMT claim to have licences outstanding amounting to £20m. Matrix Churchill claims to have firm orders for exports to Iraq of £40m and has two licence applications for five lathes outstanding. Bridgeport Machines Ltd has four export licence applications covering 19 milling machines and accessories under consideration.
10. You wrote to William Waldegrave on 30 March expressing concern about any departure from the existing policy of

permitting the export of machine tools unless there is clear evidence that they are intended for military use. . FCO has yet to reply but we understand that Mr Waldegrave intends to advise refusal of these licence applications, at least for the time being. Alan Clark wrote on 3 May drawing attention to the presentational difficulties of approving licences in the present circumstances.

11. A decision whether to grant export licences will therefore need careful consideration in the present circumstances. It will probably be necessary to involve the Secretary of State (and his counterparts in FCO and MOD) in a final decision given that DTI has undertaken to answer any questions that are raised in the House on these exports.

OT2/3
May 1990